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SUBJECT: SINGAPORE PASSES TAX INFO SHARING LAW, EYES U.S. TAX  
AGREEMENT

REF: SINGAPORE 381

11. (SBU) Summary: Singapore took a step to exiting the Organization for Economic Cooperation and Development (OECD) "grey list" of tax havens by passing tax amendments that improve its ability to exchange tax information with foreign authorities. Singapore is also renegotiating existing Double Taxation Agreements (DTA) to include the OECD standard on exchange of information. Finance officials hope the tax changes will open the way to begin negotiations for a DTA with the United States. Officials said previous roadblocks to completing an agreement should no longer be barriers. End Summary.

12. (SBU) Singapore's Parliament passed amendments to its Income Tax Act October 19 that incorporate the OECD standard for exchange of information through Avoidance of Double Taxation Agreements (DTAs). The amendments will become law after approval by the President and being published in the government gazette, a process GOS officials believe will be completed within three weeks.

Coming Off the Grey List  
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13. (SBU) Singapore pushed through the amendments in a bid to shed its reputation as a haven for tax cheats. In April the OECD placed Singapore on its "grey list" of countries that had committed to the exchange of information standard but had yet to fully implement it, much to the displeasure of Singapore officials (reftel). According to the OECD, the standard requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes. The new amendments lift Singapore's previous domestic interest condition that allowed Singapore tax authorities to share tax information only if that information was relevant to the enforcement of Singapore's own tax laws. However, Finance Minister Tharman told Parliament that requests from foreign authorities would need to be "clear, specific, relevant, and consistent with the exchange of information standard," and that tax authorities would not accept "fishing expeditions" -- indiscriminate requests without specific information.

14. (SBU) Singapore is also renegotiating existing DTAs to include the exchange of information standard. The OECD has stated it will remove countries from the grey list after they have signed at least twelve DTAs with the standard language. Singapore has renegotiated eleven since April, and expects to sign several more within a matter of weeks. The treaties will come into force after the tax amendments become law. FOO Gouzhi, Head of International Tax at the Ministry of Finance, told Econoff that the Ministry does not plan to renegotiate all its DTAs, but will renegotiate agreements with countries that would like the exchange of information language included in the agreement.

And Now For a U.S. DTA?

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15. (SBU) Foo said Singapore is open to discussing a DTA with the United States based on the U.S. model, and the GOS is prepared to move ahead with negotiations whenever the U.S. agrees. Earlier discussions about a possible DTA with the United States in 2006 foundered in part on Singapore's lack of exchange of information provisions in their tax laws, but also their unwillingness to include limitation of benefits provisions in the agreement that would prevent third country residents from obtaining treaty benefits. Foo said Singapore would be willing to discuss this issue at future negotiations and did not believe it would be a barrier to concluding a DTA.

SHIELDS